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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003666

SIPDIS

STATE PASS TO AIT/W AND USAID
BEIJING ALSO PASS TO CHENGDU

E.O. 12958: DECL: 10/25/2014
TAGS: [PREL](#) [EAID](#) [TW](#)
SUBJECT: ICDF: TAIWAN'S USAID

REF: A. SAN JOSE 02803

[1](#)B. TAIPEI 03430

Classified By: AIT Director Douglas Paal 1.5 (B/D)

[1](#)1. (C) Summary: Taiwan's International Cooperation and Development Fund (ICDF) is one of the foreign policy tools used to advance Taiwan's standing with nations that recognize Taipei. Taiwan publicly parades the ICDF as a global humanitarian organization which seeks to combat poverty and provide technical assistance around the world. Privately, however, ICDF officials admit the bulk of the ICDF budget is geared towards rewarding those nations that continue to recognize Taiwan diplomatically over China. The foundation serves Taiwan's Ministry of Foreign Affairs (MOFA) and is largely self-financed through investments from its original endowment. The ICDF serves as the "public face" for Taiwan's international aid and is not likely a vehicle used by Taipei for the direct cash payments that are often provided to Taiwan's diplomatic partners. The recent embarrassment over the on-again off-again relationship with Vanuatu (reftel) is a vivid reminder of the role of direct cash payments. The ICDF is also making efforts to increase its leverage with NGOs and other aid organizations to increase Taipei's visibility and diplomatic efforts abroad. End summary.

Used to Advance Diplomatic Ties

[1](#)2. (C) Despite Taipei's best efforts to classify the ICDF's mission as assisting developing countries throughout the world, in reality the organization serves as an arm of MOFA to disperse aid to Taiwan's diplomatic partners. Taiwan works hard via international conferences, glossy brochures, and professional video productions to tout the ICDF as a global organization that promotes international cooperation and as a mechanism for Taiwan to express its gratitude for the foreign aid it received before it became an economic success story. ICDF Deputy Secretary General, Liao Shih-chieh, told AIT that Taiwan is particularly concerned with Beijing's efforts to usurp Taipei diplomatically. When asked where the bulk of ICDF money and aid is focused, Liao admitted that the vast majority does go to Taiwan's diplomatic partners. In 2003, of the approximately \$57 million that was approved for direct financing, all but about \$6 million was earmarked for countries that maintain formal relations with Taiwan. There is some small scale funding and projects geared towards Taiwan's non-diplomatic partners, but this is largely window dressing and done for publicity purposes. Liao told AIT that if one of Taiwan's aid recipients were to switch recognition to China, then all ICDF aid would immediately be halted.

Self-Financed, Supports MOFA

[1](#)3. (C) The ICDF is almost completely self-funded for its activities and mirrors MOFA directives. In the wake of Taiwan's declining diplomatic support around the world, the ICDF was formed in 1996 with a government grant of approximately \$880 million (NT\$30 billion) to promote both humanitarian and technical assistance programs. Liao told AIT that a Board of Directors is responsible for making policy, approving aid projects and dispersing the budget. Members of the board are composed of prominent government and private sector officials including Foreign Minister Mark Chen, Economic Minister Ho Mei-yueh, and Perng Fai-nan, Governor of the Central Bank. These officials ensure that ICDF aid support MOFA foreign policy goals and is used effectively to bolster ties with countries that recognize Taipei. Liao said that in addition to some government grants, most of ICDF funding comes from investments financed from its endowment, which currently total about \$440 million (NT\$15 billion). At the end of 2003, the ICDF's pledged investment and lending amounted to a total of approximately \$495 million.

[1](#)4. (C) Liao said that the foundation largely provides what the recipient country wants and offers a range of development and technical assistance programs. According to Liao, ICDF holds consultations with each country and once a desire or need is expressed, the ICDF works to meet those goals. For

African allies, the ICDF is mostly focused on providing technical assistance to increase agricultural productivity as well as to promote investment to encourage education and promote worker training. In Latin America, the ICDF funding is more geared towards assisting these nations promote economic investment and expand small and medium enterprises. The ICDF is involved with actual aid projects and does not appear to be involved with direct payments abroad. The organization's books are open for the public to see and AIT was given a copy of last year's audit report.

Increasing NGO Cooperation

15. (C) ICDF is also working to increase its cooperation with NGOs and other international aid organizations to improve its international prestige and status. AIT officials attended a conference that focused on the ICDF's role in cooperating with aid organizations and NGO's. The ultimate goal of this cooperation is to advance Taiwan's foreign policy goals through a variety of new mechanisms and increase access to other countries through international organizations. ICDF and MOFA officials admitted to AIT that Taiwan must find a way to break free of Beijing's efforts to isolate Taiwan in the global community and this could be a new path. (Comment: Taipei has been blocked from virtually all organizations and has little leverage to practice multi-lateral diplomacy abroad. End comment).

Final Thoughts: Concern Over Beijing

16. (C) At the end of the meeting, Liao expressed concern with Beijing's increasing efforts to counter Taiwan's aid efforts with nations that maintain diplomatic relations with Taipei, particularly in Latin America. Liao mentioned his particular dismay that the Organization of American States (OAS) granted China observer status and not Taiwan. Liao also said that Beijing uses this observer status to ensure that Taiwan's interests are left out of OAS discussions and programs. However, Liao noted that Taiwan enjoyed good relations with OAS under former Secretary General Miguel Angel Rodriguez, who was a supporter of Taiwan when he was president of Costa Rica. (Comment: Rodriguez now stands accused in his native Costa Rica of taking money from, among others, Taiwan while serving as president. End comment).

Comment: Uphill Battle

17. (C) The ICDF may play an increasingly central role in Taiwan's diplomatic strategy given a growing backlash at home and abroad over less ethically acceptable forms of foreign assistance in places like Costa Rica and Nicaragua--particularly because the ICDF is largely self-sufficient and involved in legitimate aid work. The Chen administration is also eager to use Taiwan's foreign aid program to enhance its relations both with international organizations and major non-diplomatic partners such as Japan and the United States. Over the past six months, Taiwan has actively expanded contacts with Japanese Overseas Development Assistance experts and have expressed interest to AIT in forming consultative relationships with USAID. It is likely Taiwan is reaching out to NGO organizations because they have been unsuccessful in their bids to join international organizations because of the PRC's influence and Taipei the ICDF as a possible avenue for multi-lateral diplomacy. While Taiwan targets its assistance programs to further its diplomatic agenda, the island does have much to offer the developing world in the areas of agricultural technology, microfinance, technical education, and small business development.

PAAL